

# **Illinois Administrative Code**

## **TITLE 50: INSURANCE**

### **PART 940: MID-TERM CANCELLATIONS**

#### Section

940.10	Purpose
940.20	Definitions
940.30	Certification

**AUTHORITY:** Implementing Section 143.16a of the Illinois Insurance Code (Ill. Rev. Stat. 1987, ch. 73, par. 755.16a) and authorized by Section 401 of the Illinois Insurance Code (Ill. Rev. Stat. 1987, ch. 73, par. 1013).

**SOURCE:** Emergency rules adopted at 10 Ill. Reg. 3680, effective January 30, 1986, for a maximum of 150 days; adopted at 11 Ill. Reg. 3113, effective February 3, 1987; amended at 12 Ill. Reg. 19699, effective November 14, 1988.

#### **940.10 Purpose**

This Part is issued to Section 401 of the Illinois Insurance Code (Ill. Rev. Stat. 1985, ch. 73, par. 1013) in order to implement Section 143.16a(e) by the Illinois Insurance Code (Ill. Rev. Stat. 1985, ch. 73, par. 755.16a(e) by establishing standards and procedures for the filing and acceptance of certifications of the loss of reinsurance by the Illinois Director of Insurance.

#### **940.20 Definitions**

- a) "Department" shall mean the Illinois Department of Insurance.
- b) "Director" shall mean the Illinois Director of Insurance.

#### **940.30 Certification**

- a) No notice of cancellation may be issued by any insurer under authority of Section 143.16a(e) of the Illinois Insurance Code unless the insurer has filed the certification and documents described by this section and received notification of its acceptance from the Director.

- b) Certification of the loss of reinsurance under Section 143.16a(e) of the Illinois Insurance Code shall consist of a written statement signed by a principal officer of the company identifying the specific lines of insurance affected by the loss of reinsurance, giving an estimate of the number of Illinois policies to be cancelled, describing the reason for the loss of reinsurance, describing all efforts to renew and/or replace the reinsurance lost, and affirming that the insurer will cancel only those policies which were covered by the lost reinsurance.
- c) Every certification filed under this Part must be accompanied by the following documents:
  - 1) a copy of the reinsurance contract which had provided coverage for the policies to be cancelled;
  - 2) a copy of any notice of cancellation of reinsurance issued by the reinsurer and effecting the policies to be cancelled;
  - 3) a copy of any amendment purporting to omit reinsurance coverage for the policies to be cancelled; and
  - 4) a copy of any new reinsurance contract replacing the lost reinsurance and purporting to omit reinsurance coverage for the policies to be cancelled.
- d) The Director shall give written notice of his acceptance of a certification within 30 days of its receipt by the Department, unless:
  - 1) the filing does not comply with the requirements of this Part;
  - 2) the filing is insufficient to demonstrate that the loss of reinsurance was involuntary on the part of the insurer making the filing;
  - 3) the certification appears to be untrue; or
  - 4) the reinsurance lost does not cover a substantial part of the underlying risk. In determining whether or not the reinsurance covers a substantial part of the underlying risk, the Director shall consider:
    - A) the risk of loss to the insurer in providing coverage to the underlying risk without reinsurance, as compared to such risk of loss to the insurer assuming the reinsurance of the underlying risk continues;
    - B) whether or not the reinsurance terminated actually provided for a transfer of risk from the insurer to the reinsurer; and
    - C) whether or not the termination of the reinsurance contract resulted in, or will result in a decrease in the insurer's statutory capital and surplus as described in (Ill. Rev. Stat. 1987, ch. 73, par. 786.1).

- e) Whenever the Director refuses to accept a certification he shall give written notice stating the reason for such refusal within 30 days of the receipt of the certification by the Department.
- f) The Director's written notice of refusal shall be issued under and governed by the provisions of Sections 401.1 or 403A of the Illinois Insurance Code (Ill. Rev. Stat. 1987, ch. 73, pars. 1013.1 or 1015A) and the insurer shall be entitled to all rights of hearing provided for therein and in accordance with 50 Illinois Administrative Code 2402.

(Source: Amended at 12 Ill. Reg. 19699, effective November 14, 1988)